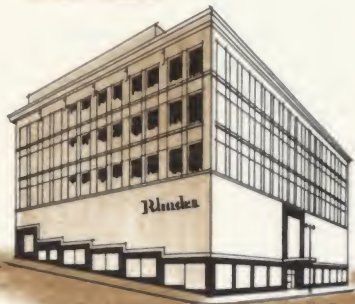


Rhodes



Annual Report 1962

TACOMA - Downtown



Rhodes

EXPANSION PROGRAM

4 new stores in 4 states
(Southgate store doubled in size)

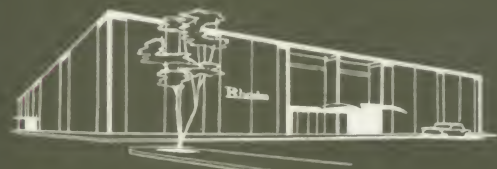
PORTLAND - Valley West Center (1964)



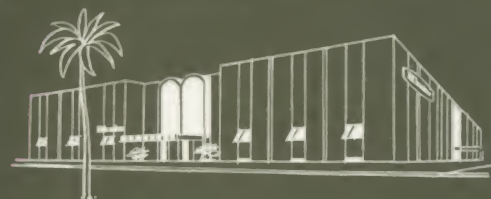
SACRAMENTO - Southgate (doubled in size 1963)



MOUNTAIN VIEW - San Antonio Center (1963)



PHOENIX - Camelback Center (1963)



SAN ANTONIO - Wonderland Center (1964)



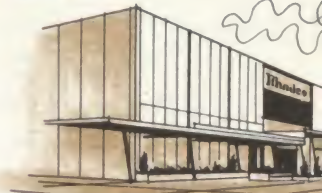
FRESNO - Manchester Center



*Upon completion of this
program there will be*

**13 STORES
IN THE RHODES GROUP**

TACOMA – Lakewood Center



PORTLAND – Downtown



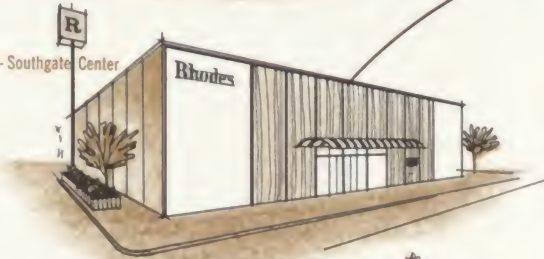
PORTLAND – Gateway Center



SACRAMENTO – Country Club Centre



SACRAMENTO – Southgate Center



OAKLAND – Downtown



CONCORD – Concord Center





Administrative Office: 1955 Mountain Blvd., Oakland, California

Table of Contents



New York Buying Office: 128 West 31st St., N. Y. 1, N. Y.

Inside front cover Presenting the Rhodes stores

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12 Rhodes Phoenix to open in May

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14 Rhodes Southgate is Doubled in Size

15 Rhodes Expands to Texas

16 A Third Store for Portland

Inside back cover Directors and Officers



To our shareholders:

Sales reach new high

A milestone was reached during our last fiscal year when, for the first time in the Company's history, sales exceeded \$50 million. For the year ending January 31, 1963 sales totalled \$50,044,477. All the Company's stores achieved sales increases in 1963 and the total was 8.7% ahead of last year. The upward trend of sales has been stimulated by a two-fold program to enhance Rhodes' competitive position. Our sales promotion efforts have been intensified and our merchandising staff has been augmented and strengthened.

■ Net profit for the past year amounted to \$1.72 per share, compared with \$1.58 per share a year earlier. Some of the costs of building up our staff for the new stores we will open this year have been charged against 1962 profits.

■ During the year, we paid four regular quarterly dividends of 25 cents each, or a total of \$700,221. Earnings retained in the business amounted to \$502,497 and, at year-end, our retained earnings account stood at \$13,744,038. Stockholders' equity was equivalent to \$23.15 per share.

Expansion program moves ahead

■ During 1962, your Company embarked on the second phase of its expansion program. The addition of a second floor to the Southgate store in Sacramento is near completion, and ground was broken for the new Rhodes' stores in Phoenix, Arizona and our Mountain View store on the San Francisco Peninsula—both scheduled to open in 1963. Leases have been signed for new stores in San Antonio, Texas and West Portland, Oregon, which are due to open in 1964.

Financing our growth

■ During the year, arrangements were completed with the Prudential Insurance Company of America to provide an increase in our loan to a total of nine million dollars. We expect to utilize these additional funds in late 1963. As of the end of January, 1963, our long-term portion of this loan amounted to six million dollars.

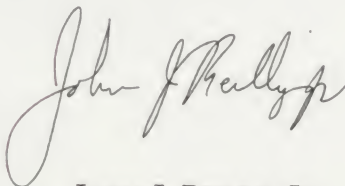
■ As reported last year, Rhodes took the initial steps to permit adoption, for income tax purposes, of the installment method of reporting income on credit sales. This required that we sell the amount of installment receivables on hand at the end of last year to avoid incurring additional taxes. A temporary increase in cash funds and a corresponding decrease in accounts receivable resulted, and the funds have now returned to their normal relationship. By reporting income for tax purposes, as installment accounts are collected, Rhodes will increase working capital by approximately one million dollars.

Our most important asset

■ The expansion program Rhodes has undertaken created a need for a large number of additional personnel. An intensive program to recruit experienced people was begun in 1962, supplementing Rhodes' year-round management development and promotion-from-within program. Our incentive plan, and other employee benefits, gives our staff a feeling of direct responsibility and pride in their work.

■ We have been especially fortunate—during this period of growth—to have behind the counters and behind the scenes a loyal and capable staff. Their unusual degree of interest in their company will be of great value as we move ahead with our expansion plans. We wish to thank them for their enthusiasm and support in the past year.

FOR THE BOARD OF DIRECTORS:



JOHN J. REILLY, JR.
PRESIDENT



JOHN J. REILLY
CHAIRMAN

The graphics which illustrate this report are decorative notes to be found in most Rhodes' stores.

Rhodes *Balance Sheet*



ASSETS

January 31
1963

January 31
1962

CURRENT ASSETS:

Cash	\$ 493,388	\$ 4,582,201
Short-term securities, at cost (approximate market)	997,278	4,535,467
Accounts receivable, less allowance for doubtful accounts— 1963, \$433,000; 1962, \$408,000	10,804,115	3,249,488
Merchandise inventories—on hand, at lower of cost or market as determined by the retail inventory method; in transit, at cost	10,019,604	8,866,276
	<u>22,314,385</u>	<u>21,233,432</u>

OTHER ASSETS AND DEFERRED CHARGES:

Unexpired insurance, prepaid taxes and other deferred expenses	379,870	538,538
Miscellaneous receivables, deposits, etc.	565,349	463,088
	<u>945,219</u>	<u>1,001,626</u>

PROPERTIES, at cost:

Land	129,991	129,991
Furniture, fixtures, equipment, etc.	7,536,563	7,146,823
Leasehold improvements	4,206,068	4,169,847
Accumulated depreciation and amortization	(7,691,764)	(6,906,710)
	<u>4,180,858</u>	<u>4,539,951</u>
	<u>\$27,440,462</u>	<u>\$26,775,009</u>

LIABILITIES

January 31
1963

January 31
1962

CURRENT LIABILITIES:

Accounts payable	\$ 2,594,877	\$ 2,148,333
Payrolls, taxes, and other accrued liabilities	975,819	1,010,797
Current installment on notes payable	440,000	440,000
Federal taxes on income, estimated	16,985	1,038,986
	<u>4,027,681</u>	<u>4,638,116</u>

FEDERAL INCOME TAXES DEFERRED

To FUTURE YEARS (Note 1)	<u>1,200,000</u>	
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LONG-TERM NOTES PAYABLE (Note 2)	<u>6,000,000</u>	<u>6,440,000</u>
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STOCKHOLDERS' EQUITY:

Capital—Authorized, 1,200,000 shares of common stock, par value \$.25 per share—represented by 704,628 issued shares of which 4,414 shares were held in Treasury on January 31, 1963 (Note 3)	2,468,743	2,338,919
Retained earnings, per accompanying statement (Note 2) . . .	13,744,038	13,357,974
	<u>16,212,781</u>	<u>15,696,893</u>
	<u>\$27,440,462</u>	<u>\$26,775,009</u>

Rhodes *Statement of Income*

	Year ended January 31 1963	Year ended January 31 1962
Net sales including leased departments	\$50,044,477	\$46,035,273
Cost of sales, operating and administrative expenses (exclusive of those shown below) less credit service charges	46,407,557	42,574,666
Depreciation and amortization	785,054	834,802
Contributions under employee benefit plans	166,767	151,502
Interest expense	410,820	304,868
	<u>47,770,198</u>	<u>43,865,838</u>
	2,274,279	2,169,435
Other income and credits	188,439	125,639
Income before federal income taxes	<u>2,462,718</u>	<u>2,295,074</u>
Provision for estimated federal income taxes, including \$1,200,000 deferred to future years (Note 1)	1,260,000	1,190,000
Net income for the year	<u>\$1,202,718</u>	<u>\$1,105,074</u>

STATEMENT OF RETAINED EARNINGS:

Retained earnings at beginning of year	\$13,357,974	\$12,979,931
Net income for the year	<u>1,202,718</u>	<u>1,105,074</u>
	14,560,692	14,085,005
Less: Cash dividends paid—\$1.00 per share each year	700,221	699,808
Cost of treasury stock purchased	<u>116,433</u>	<u>27,223</u>
Retained earnings at end of year (Note 2)	<u>\$13,744,038</u>	<u>\$13,357,974</u>

Notes to Financial Statements, January 31, 1963

- NOTE 1: ■ The Company intends to adopt the installment method of reporting income beginning with the year ended January 31, 1963. Under this method, income taxes are payable on installment sales as the accounts are collected rather than at the time sales are made to customers. For financial statement purposes the Company will continue to report income from sales at the time they are made and therefore provision has been made for the income taxes deferred to future years.
- NOTE 2: ■ The notes bear interest at $4\frac{1}{4}\%$ and are payable to an insurance company in annual installments of \$440,000 with the balance payable on October 1, 1973. The loan agreement places certain restrictions on the payment of cash dividends; retained earnings at January 31, 1963, not so restricted, were \$1,587,693.
- In December 1962 the Company entered into a new agreement with the insurance company whereby an additional \$2,560,000 can be borrowed. As of January 31, 1963 none of the additional funds had been advanced.
- NOTE 3: ■ During the year 6,950 shares of treasury stock were sold to 44 employees at \$17.25 and \$18.50 per share, payable over a period of five years, with interest on the unpaid balances. The proceeds from these sales, \$123,763, were added to Capital; cancellations of prior years' sales in the amount of \$23,208 were deducted from Capital. The Company has an incentive stock option plan under which options to purchase the Company's capital stock may be granted to executives and key employees. During the year, options to purchase 5,000 shares were granted at \$16.625 per share, options to purchase 6,000 shares were cancelled and options to purchase 1,650 shares were exercised. At January 31, 1963, options to purchase 4,300 shares at \$19.25 per share and 12,300 shares at \$16.625 per share were outstanding. The options, which were granted in 1959 as to the 4,300 shares at \$19.25 per share and 7,300 shares at \$16.625 per share and in 1962 as to 5,000 shares at \$16.625 per share, expire in 1964, 1965, and 1968 respectively. These options are exercisable commencing two years from date of grant in cumulative annual installments of $33\frac{1}{3}\%$ as to the 4,300 shares and 25% as to the 12,300 shares. At January 31, 1963, 33,100 shares of capital stock were reserved for possible issuance under the plan.
- NOTE 4: ■ The Company occupies all of its stores under leases which expire at dates from 1972 to 1991. The leases provide for rentals based on sales with a guaranteed minimum. The minimum annual rental obligation under these leases is approximately \$1,300,000. The Company has signed leases for locations in Phoenix, Arizona; Mountain View, California; West Portland, Oregon, and San Antonio, Texas, which will become effective as the construction of the store buildings is completed. In addition, a new lease for the store located in the Southgate Shopping Center of Sacramento, California, has been signed to cover the addition of another selling floor, which lease will become effective when construction is completed.

Opinion of Independent Accountants

To the Board of Directors and Stockholders of Rhodes Western

In our opinion, the accompanying statements present fairly the financial position of Rhodes Western at January 31, 1963, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

San Francisco, March 15, 1963

PRICE WATERHOUSE & CO.

Rhodes *Ten Year Summary of Operations*

<i>Years Ended January 31</i>	<i>1963</i>	<i>1962</i>	<i>1961</i>	<i>1960</i>
Net sales	\$50,044,477	\$46,035,273	\$45,516,456	\$46,069,861
Income before federal income taxes . . .	2,462,718	2,295,074	2,410,895	3,201,566
Federal income taxes	1,260,000	1,190,000	1,250,000	1,675,000
Net income	1,202,718	1,105,074	1,160,895	1,526,566
Per share	1.72	1.58	1.66	2.19
Dividends paid	700,221	699,808	700,710	595,321
Per share	1.00	1.00	1.00	.85
Current income retained	502,497	405,266	460,185	931,245
Additions to properties	425,961	506,198	901,837	1,197,153
Depreciation and amortization	785,054	834,802	802,213	751,554
Accounts receivable	10,804,115	3,249,488	9,628,071	9,542,428
Merchandise inventories	10,019,604	8,866,276	8,678,698	7,745,446
Working capital	18,286,704	16,595,316	16,621,038	16,787,803
Properties, net	4,180,858	4,539,951	4,873,740	4,771,203
Total assets	27,440,462	26,775,009	26,109,278	27,137,693
Long-term debt	6,000,000	6,440,000	6,880,000	7,320,000
Stockholders' equity	16,212,781	15,696,893	15,323,788	14,786,624
Per share	23.15	22.45	21.85	21.23
Number of shareholders (at year-end) . .	1,994	2,000	2,135	2,042
Number of employees (at year-end) . . .	2,200	2,093	2,050	2,069

<i>1959</i>	<i>1958</i>	<i>1957</i>	<i>1956</i>	<i>1955</i>	<i>1954</i>
\$40,704,446	\$41,021,658	\$37,726,906	\$34,797,385	\$31,858,117	\$31,235,002
2,475,662	2,100,990	2,721,542	2,493,829	2,272,069	2,238,008
1,270,000	1,085,000	1,405,000	1,300,000	1,180,700	1,138,700
1,205,662	1,015,990	1,316,542	1,193,829	1,091,369	1,099,308
1.72	1.45	1.88	1.71	1.59	1.60
556,816	699,872	559,622	620,603	548,784	548,783
.80	1.00	.80	.90	.80	.80
648,846	316,118	756,920	573,226	542,585	550,525
543,427	965,169	1,007,337	224,590	728,039	230,212
625,280	624,438	417,545	378,872	267,724	209,411
8,944,980	8,835,662	9,181,894	7,197,791	5,624,746	5,120,165
6,713,753	6,172,264	6,001,386	4,880,709	4,663,827	4,007,653
16,823,246	14,471,617	12,479,145	10,160,223	7,822,006	7,934,742
4,322,557	4,450,695	4,118,654	3,523,973	3,672,792	3,206,438
26,428,226	23,048,074	21,235,724	18,086,283	15,610,090	15,115,025
7,760,000	6,200,000	4,200,000	2,000,000	400,000	600,000
13,922,368	13,255,804	12,958,242	12,185,826	11,477,900	10,935,315
19.89	18.97	18.51	17.44	16.73	15.94
2,013	2,038	1,959	1,919	1,810	1,651
1,868	1,863	1,677	1,597	1,608	1,490



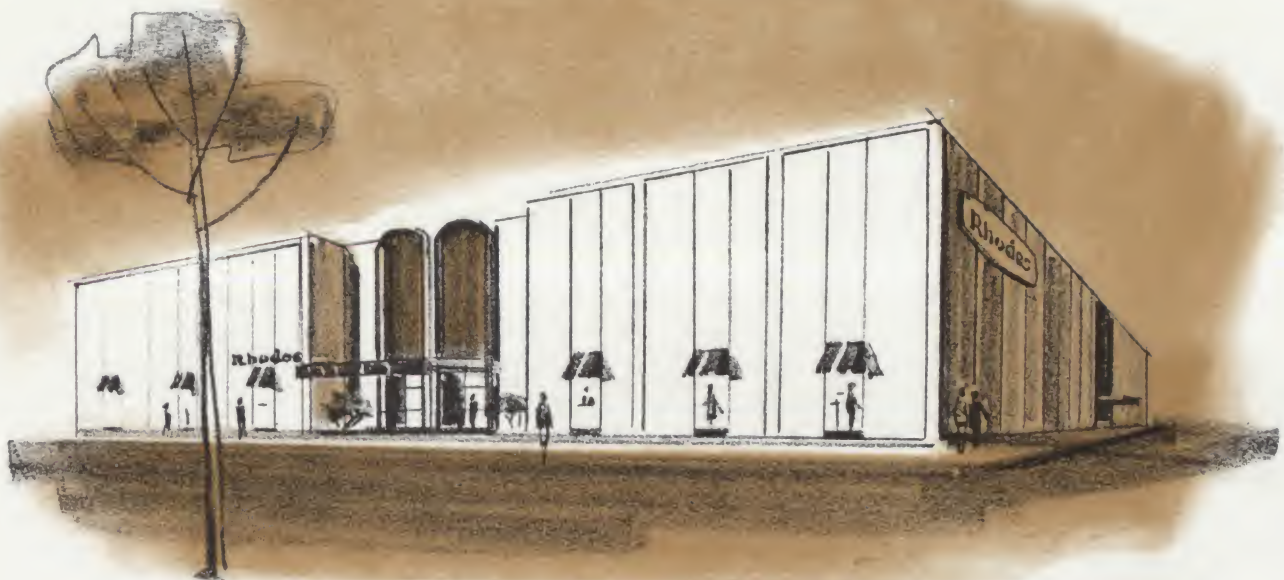
A program for growth



Rhodes' expansion plans are proceeding on schedule in the West and Southwest, where the nation's population has shown its greatest gains. This will carry the Rhodes name into Arizona and Texas and add new suburban branches in areas where the company is already well established.

The mass movement of population from urban centers to the suburbs has been particularly pronounced in the West and the trend is continuing. Ten of our 13 stores are now located in suburban centers and every store opened by Rhodes during the past eight years has been a suburban department store in a carefully chosen shopping center. In selecting store sites, Rhodes looks for dynamic communities with good prospects for future growth in neighborhoods peopled by young families of above average incomes.

In the next two years, Rhodes will open four stores in four states and double the size of a fifth store. Plans for these stores, their location and the area served are given on the following pages.



Rhodes Phoenix to open in May

In May 1963, Rhodes will open its tenth department store in Phoenix, Arizona, bringing the Rhodes name into a fourth Western state and into the heart of the thriving Southwest.

Rhodes' 130,000 square foot, two-level structure will dominate the busy Camelback Shopping Center, strategically located at 20th and Camelback Avenue — a focal point in a sprawling and prosperous residential region with an unusually high percentage of younger families.

The new store will feature imposing twin-canopied metal arches at the main entrance doors. Their white and charcoal brick front will harmonize with a natural buff textured brick exterior. The store opens onto a covered, air-conditioned mall.

The Phoenix store is the first in Rhodes new Southwest Division. Arizona's spectacular growth since 1946, its residents' high personal income, and the four-fold increase in retail sales since 1946 influenced your company to enter Arizona. The state has registered the fastest rate of postwar growth in the nation, principally in the Phoenix area, by far the most rapidly growing region in Arizona.





Rhodes expands to Texas

Early in 1964, Rhodes will extend its operations to a fifth western state, with the opening of a handsome new store in San Antonio, Texas.

Rhodes in San Antonio will be the major tenant in Wonderland Shopping City, 6½ miles from the center of town. Wonderland is in the northwest part of the city, an area characterized by a rapid development of middle-and-upper-income residential homes.

Rhodes Wonderland store will have 131,000 square feet of floor area. In design, the San Antonio store will be unique in the Rhodes system. The three-level building will offer maximum customer convenience from the ground up. Shoppers can drive into a street-level, covered parking area below the store, and from there travel via a "see through" escalator or a glass enclosed elevator up an open well which allows a panoramic view of the beautifully displayed merchandise. The two floors will be air-conditioned.

The Rhodes store will bring Wonderland Shopping City, already a thriving and unusually successful operation, up to more than 675,000 square feet of floor space under roof, with parking for 5,000 cars. It will serve the San Antonio metropolitan area of 750,000 people and a trading area of about 1,100,000. Like most cities of the West and Southwest, San Antonio has registered impressive growth in the recent years.



A third store for Portland

A third Rhodes store in Portland is scheduled for opening in 1964. Located in the Valley West Shopping Center in suburban Beaverton, Rhodes will be the largest store in the 37-acre center. The store will provide approximately 100,000 square feet of floor space and will incorporate the newest advances in design, floor layout, fixtures, display and customer service.

The lower level will house "The World of Fashion"—ready-to-wear shopping headquarters for the entire family, featuring everything from baby layettes to youngsters' and teenagers' clothing and the finest in men's and women's fashions. On the second floor, "Homemakers' World" will offer a complete line of merchandise and furnishings for every room of the home.

It is significant that Rhodes was the first department store to open a suburban branch in Portland, in the Gateway Center on the East side of the Willamette River. Rhodes now will open the first suburban department store on the West side of the Willamette.

The Valley West Center is the hub of a pleasant residential area which has grown rapidly in the past several years. Valley West is unique in the Northwest—it will feature the first covered, air-conditioned mall in the entire region. The Center, which will be second largest in Oregon, is favorably located near a busy intersection and adjoins a proposed expressway to link the Salem Highway with the Sunset Highway.



Rhodes builds on the Peninsula

Another 1962 highlight for Rhodes was the signing of a lease last July for a new store in Santa Clara County, at the southern part of the San Francisco Peninsula.

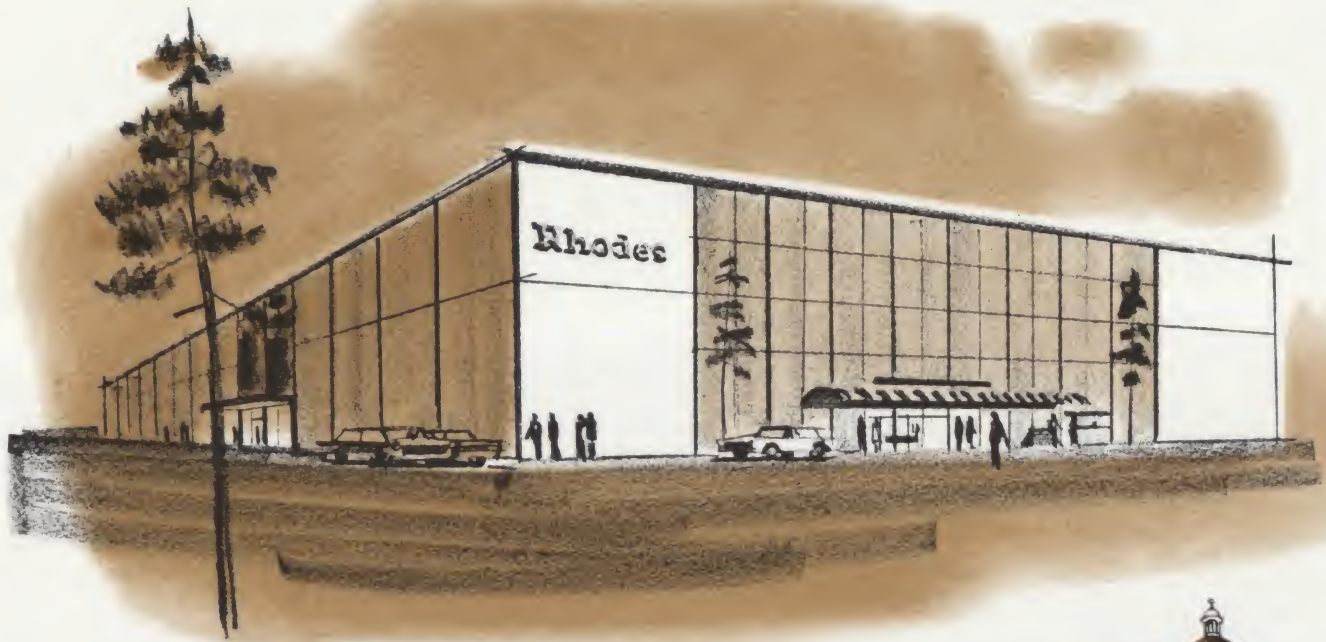
One of the nation's leading research and scientific regions, Santa Clara County is also noted for its climate, fine residential areas and recreational facilities. Some of the nation's biggest space and electronic industries have research labs and plants here, employing thousands of skilled, well-paid workers. Santa Clara County has been the center of an accelerated industrial boom following on the heels of a great suburban expansion.

The new Rhodes store will be located in the thriving San Antonio Shopping Center in the city of Mountain View, just south of Palo Alto, and close to the heart of the great aerospace and electronics research complex. The Center has been in operation for several years and ranks among the largest and most successful in the area.

This new Rhodes store will also have 130,000 square feet of floor space. The colorful interior will have graphics and decor by well-known artists, and specially designed fixtures. The ground floor will include a "World of Fashion," featuring women's and misses fashions, sportswear, Bridal Salon, Junior Miss clothes and the accessories. Also on the ground floor will be a men's and boys' shop, sportswear and furnishings. A complete infants' group will round out the floor.

The second floor will be merchandised as the "Homemaker's World," with floor coverings, draperies, lamps, pictures, toys, luggage, radio-record department, books, a beauty salon and offices. A gift and silverware department with a bridal registry will highlight the floor.

Ground was broken for the new store in December 1962 and opening is scheduled for Fall 1963.



Rhodes Southgate is doubled in size

As the rate of growth in Sacramento's southern section gained more and more momentum, a realistic projection of sales figures prompted our decision to strengthen and make Rhodes Southgate a fully-rounded store by year's end.

The store is a branch of our Country Club Centre unit located in North Sacramento, which, incidentally, was the first suburban department store in the entire Sacramento area.

The Southgate store originally was approximately 65,000 square feet. A second floor has now been added, enabling us to double the shopping area, expand existing departments and install new ones.

California's capital city has a special significance for Rhodes, inasmuch as it was here that our expansion program had its beginning in 1954 with the opening of the first Rhodes suburban department store. It is one of the fastest-growing metropolitan areas in the nation's Number One State.

With well located department stores in the two suburban areas which have shown the greatest growth — and show every sign of maintaining this rate of growth — Rhodes looks forward to continuing success in the Sacramento area.

Rhodes



Directors and Officers

HERBERT I. DUNN

Partner, Schwabacher & Company

J. C. ERNST

*Vice President and Treasurer
Acme Financial Corporation*

JOHN J. GOLDBERG

Assistant Secretary

JOHN F. KILMARTIN

General Manager, Rhodes, Oakland

O. JAMES MAUEL

ELLIOTT McALLISTER

Chairman, The Bank of California, N.A.

JOHN J. REILLY

Chairman of the Board

JOHN J. REILLY, JR.

President

LINDSAY L. RUSCH

Secretary and Treasurer

F. A. WICKETT

Legal Counsel

Steinhart, Goldberg, Feigenbaum & Ladar

Public Accountants

Price Waterhouse & Co.

Transfer Agent

Crocker-Anglo National Bank
No. 1 Montgomery Street
San Francisco 20

Registrar

Wells Fargo Bank
464 California Street
San Francisco 20

Annual Stockholders Meeting

Tuesday, April 23, 1963, 11 o'clock a.m. Rhodes-Oakland Executive Offices,
1501 Broadway, Oakland, California
